

# Portability Decision Guide for Employees Who Move From Army NAF to Civil Service Employment

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**A summary of information to consider when choosing between Army NAF or FERS retirement plans when you are given a portability election under Public Law 101-508.**

**September 2005**

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## Portability Decision Guide for Employees who Move from Army NAF to Civil Service Employment

### What is “Portability”?

“Portability”, as used by benefits professionals, refers to the ability to retain certain benefits when you move between NAF and civil service jobs.

Within the federal government, portability refers to the ability of employees participating in a NAF or civil service retirement program to continue participating in that program when they move to a new government job. The law that established portability of retirement benefits also provided for credit toward leave accrual, reduction in force, and other non-retirement benefits under some limited circumstances.

### Am I eligible for portability?

The law provides two different eligibility standards for two different types of benefits—retirement and other benefits.

The portability rules allow any Department of Defense (DoD) or Coast Guard (USCG) nonappropriated fund (NAF) employee who takes a civil service job ***within one year*** after leaving NAF employment to continue participation in their NAF retirement plan. Civil service employees who take a NAF job within a year after leaving civil service are eligible to continue their civil service retirement plan.

The portability rules require that any Department of Defense (DoD) or Coast Guard (USCG) nonappropriated fund (NAF) employee who takes a DoD civil service job within 3 days after leaving NAF employment to be given certain additional benefits based on their NAF service. Among those benefits are leave transfer, service credit for accrual of annual leave, and others.

Non-retirement benefits are automatically given to you as a result of a qualifying move. The choice you must make affects your retirement coverage, and this guide is focused on helping you with that choice.

Important Rule: If you move between a NAF job and any federal civil service job (regardless of agency) ***with a break in service of 1 year or less***, you are required to choose between staying in your NAF retirement program or changing to the civil service retirement plan.

### Is portability mandatory?

If you move between permanent jobs in NAF and civil service, you are required to make a choice about which retirement system you want to participate in. You can choose to remain in your NAF retirement plan or to participate in the civil service plan.

Important Rule: **Portability elections are time-limited, one-time, irrevocable choices.** In authorizing employees to choose between retirement plans,

Congress required that the choice be a one-time only opportunity, that it be made with 31 days after the move, and that it be a permanent (“irrevocable”) choice. Once you have elected to stay in a retirement program, you will be in that program for the rest of your federal career.

These requirements all provide stability to the retirement programs, allowing them to plan ahead and to insure sufficient funds are available to pay you when you retire.

### **Which retirement plan is better?**

The short answer is that NAF retirement with 401k and the FERS retirement with TSP are very comparable for most employees. However, a lot goes into this “comparability” assessment, so we will provide some details on the various plan provisions.

Both FERS and the Army NAF retirement program have three elements:

- a. a pension, or monthly payment after you retire,
- b. a defined contribution plan (401k or TSP), and
- c. social security.

### Pension (also known as an “annuity”)

Both FERS and Army NAF pay a pension (monthly benefit for life) based upon four separate factors:

- a. Your years and months of service while participating in retirement.
- b. The “Hi-3” earnings, or your average earnings during the 36 consecutive months of highest salary or earnings. (Pensionable earnings for the Army NAF Retirement Plan, are defined as gross pay subject to Federal Income Tax, plus 401(k) Deferrals. **Non-pensionable earnings are lump sum annual leave payments, severance pay, living quarters allowance, retention, re-location or recruitment bonuses.**)
- c. The benefit factor, or the percentage of your hi-3 paid to you for each year of creditable service. The benefit factor for FERS is 1.0% per year of service and 1.1% for every year if you attain 20 years participation. The benefit factor for Army NAF is 1.2% per year of service up to 15 years, then 1.6% per year thereafter.
- d. Your age at the time of retirement. Both FERS and Army NAF consider “normal” retirement to be age 62.

There are a number of special provisions which affect your actual retirement benefit. For example:

- a. Under FERS, you may receive 1.1% per year if you retire after age 60 with 20 or more years of service.
- b. If you retire prior to age 62, your benefit will be reduced for each year you retire “early”. This reduction is needed to fund the extra years

benefits will be paid to you. For example, if you retire at age 58, your benefit will be reduced for the 4 years between age 58 and 62. Under FERS, the reduction is 5% per year, or 20% for four years. Under NAF, the reduction is 4% per year, or 16% for four years.

- c. If you remain with Army NAF and meet certain minimum service levels, you may be able to retire prior to age 62 with no reduction for age. If you have a total of 30 years covered service, you may retire at any time after your 55<sup>th</sup> birthday with no reduction; if you have 20 or more years, you may retire at any time after your 60<sup>th</sup> birthday.
- d. Both FERS and Army NAF have retirement incentives which can be used to help manage the workforce. These include the Voluntary Early Retirement Authority (VERA) and the Voluntary Separation Incentive Program (VSIP). If you qualify for VERA or VSIP, you will be provided additional benefits from retirement. Army NAF also has a discontinued service retirement (DSR) if your position is eliminated for business based reasons.
- e. Neither the NAF plan nor FERS considers lump sum annual leave or overseas allowance (living quarters allowance, post allowance, etc.) in the calculation of the annuity.
- f. There are special retirement programs under FERS such as law enforcement, air traffic control, and firefighters; if you are to be covered by any special retirement provisions, you should consult your civil service retirement specialist or the Army Benefit Center—Civilian for information and assistance.

As you can see, it is difficult to project and compare two different pension plans, because circumstances make a large difference in your actual benefits. Generally, the Army NAF program has a higher pension benefit than FERS, but this advantage is offset by the higher employer matching contributions to TSP, as discussed below. (Please view the comparison chart at **Appendix F.**)

### **Defined Contribution (TSP or 401k) Plans**

The FERS retirement program has a defined contribution plan known as the Federal Employee Thrift Savings Program, or “TSP”. “Defined contribution” is a term used to describe a plan where the amount of money received by the employee is determined by the amounts contributed by the employee and his/her employer, along with investment earnings. Unlike a pension, or “defined benefit” plan”, which must pay you as long as you or your survivor are entitled to a benefit, the “defined contribution” plans are a specific amount of money, much like a savings account.

With TSP, you can save up to 15% your earnings (subject to an annual IRS \$ maximum) without paying federal or state income taxes (you still pay Medicare and social security taxes) until the money is withdrawn. Depending on your level of savings, your employer will contribute from 1% - 5% of your salary to that account. The employer contributions do not “vest”, or become your money, until you have been employed and covered by TSP for three years. If you separate from employment or otherwise become ineligible to participate in TSP before

three years, the employer contributions are forfeited.

The NAF retirement program has a defined contribution program known as a “401(k)” plan. The name “401k” refers to Section 401(k) of the Internal Revenue Code, which authorizes the plan. With 401k, you can save from 0% -100% of your earnings (subject to an annual \$ maximum) without paying federal or state income tax until the money is withdrawn. Depending on your level of savings, your employer will contribute from 1% - 3% of your salary to that account. The employer contributions do not “vest”, or become your money, until you have been employed in a regular NAF position for three years; if you leave NAF employment or become a flexible employee before you have been employed three years, the employer contributions are not paid out to you.

### **Social Security**

Social security coverage is exactly the same whether you participate in NAF retirement or FERS. For additional information on Social Security benefits, see [www.ssa.gov](http://www.ssa.gov).

### **Retirement Program Comparison**

The NAF retirement program with 401k and the FERS with TSP are structured differently, but the total benefit is approximately the same for most employees. The NAF pension plan pays a better benefit than FERS for the same length of service, whereas the maximum employer match to 401k is less (3% of salary for 401k vs 5% for TSP). For most employees, the gain from having all retirement in one system is greater than any benefit you may receive by splitting your time between two retirement systems.

### **Other Issues to Consider**

There are also “marginal losses” that occur if you choose to move to FERS after participating in the NAF plan. These include:

**401k:** If you have less than three (3) years total NAF service at the time you resign and move to FERS, you will forfeit the employer’s contributions to your 401k. You can determine the amount of this loss by reviewing your most recent Fidelity® statement.

**NAF Retirement (unvested):** If you have less than five (5) years participation in NAF retirement at the time you resign and move to FERS, you have no entitlement to a pension from NAF. Because NAF retirement benefits are based on the number of years of service (as well as Hi-3 salary and age), you will lose credit for any service you have accrued under NAF. If your total employment (NAF and civil service) is more than 15 years, this amounts to 1.6% of your final Hi-3 for each year of participation, *for the rest of your life*. As an example, 1 additional year of service for an employee retiring from a \$60,000 high-3 salary

would mean \$960 per year for life. But, if you do choose NOT to continue participation in NAF, and you have less than 5 years participation, you may request a refund of your retirement contributions and interest.

**NAF Retirement (vested):** If you have 5 or more years participation in NAF at the time you resign and move to FERS, you are entitled to an immediate or deferred annuity (as applicable). The amount of that annuity will depend on your age at the time you elect to receive it, as well as your Hi-3 salary and length of service. However, your pension will only be based on your service while participating in NAF, so civil service time will not be creditable if you do not continue in NAF retirement while working for civil service. Also, your Hi-3 will be based only on NAF earnings, so your later wages (which are presumably increasing over time) will not be considered in computing your benefit.

**Retiree Medical and Life Insurance (vested):** Retiree insurances will be supplied by the system you retire from. If you remain in Army NAF Retirement as a civil service employee, your retiree insurances will be provided by the Federal Employees Health Benefit Plan (FEHBP) and the Federal Employee Group Life Insurance Plan (FEGLI). FEHBP and FEGLI require 5 years participation to be eligible for retiree insurance and they require that you request an immediate annuity.

If you are vested in NAF and elect to participate in FERS, your retirement benefit may be deferred until you reach normal or early retirement eligibility. Retiree medical/life benefits are not available from NAF under a deferred annuity. Generally, you would need to reach eligibility (5 years) under Federal Employee Health Benefit Plan to obtain retiree medical coverage and 5 years under the Federal Employee Group Life Insurance to obtain retiree life insurance coverage. Your participation time in the DoD NAF Employee Health and Life Insurance plans, will count towards the qualification time to meet civil service retiree insurance benefits. Additionally, if you request a refund of your Army NAF Retirement Contributions, you are not eligible for Army NAF Retiree Medical or Retiree Life Insurance Benefits.

### **If I decide to continue NAF retirement, what happens?**

When you are in-processed to your civil service position, you should be given a portability election form (RI 33-144, **Appendix D**). You can make your election any time within the first 31 days after you are hired, but it is best if you can make the decision quickly. If you fail to return the election within 31 days, you will be required to participate in FERS/TSP any time you are working for civil service, and you will not be given another opportunity to stay in NAF retirement while working for civil service.

You will receive a Notice of Personnel Action (NPA, also referred to as an SF-50) soon after you in-process. Your NPA should reflect retirement code "5 (Other)". There should also be remarks regarding appointment under PL 101-508 and transfer of leave balances.

When your first LES arrives, it should reflect “NAF Retirement” with **code 5A** and, if you elected to participate in 401k, “401k” in the deductions column. (Please see sample LES at **Appendix E**)

Your deductions for retirement and 401k will be sent to NAF retirement, along with the applicable employer match. You will not see the “cumulative retirement” amounts on your LES because the civil service pay system is not programmed to report those amounts. However, you will continue to receive quarterly statements on your 401k from Fidelity Investments, and you may receive confirmation of your account by e-mailing [nafbenefits@cfsc.army.mil](mailto:nafbenefits@cfsc.army.mil) and requesting the balances.

### **Existing 401(k) Loans at time of Portability move**

When you separate from Army NAF employment, your separation signals Fidelity Investments to notify the IRS if you have an existing loan. Loans which have not been paid back prior to your move to civil service, become a distributable event and you are subject to all applicable IRS taxes and early withdrawal penalties.

If however, you are electing to continue participation in Army NAF Retirement and 401(k) Plans through Portability and you have an existing loan, in order to avoid the early withdrawal taxes and penalties, you may make loan re-payments by authorizing a bi-weekly bank transfer of the required loan payments. ***Your 401(k) loan payments cannot be made by payroll from your civil service pay.*** You must contact the Army NAF 401(k) Plan section immediately after your portability election, in order to set up this process. Contact 1-877-384-2340 or commercial 703-681-7262.

### **What if something goes wrong?**

Portability is, administratively, very complex; frequently, deductions don’t start, get stopped after they start, or are not the correct amount. This is an unfortunate fact of life in dealing with multiple pay and retirement programs.

To deal with these problems, the NAF Benefits Office has established a Portability Project Office which can be reached by e-mail to [larry.cochran@cfsc.army.mil](mailto:larry.cochran@cfsc.army.mil). or by calling 1-877-384-2340 or commercial 703-681-7262. We will work with you, and your servicing human resources staff, to resolve these problems as soon as we are aware of them.

Additionally, there is a wealth of information on Portability on the Army NAF Benefits website under the Portability link at: [www.NAFBenefits.com](http://www.NAFBenefits.com).

Please check your account at [www.employeebenefitsonline.cfsc.army.mil](http://www.employeebenefitsonline.cfsc.army.mil) at least quarterly to be sure your information is up to date.



# Appendix A

## Links to Sites With Portability Instructions

The Army NAF Employee Benefits (877-384-2340) office operates a web site at [www.nafbenefits.com](http://www.nafbenefits.com). The portability home page contains a number of dynamic links to DoD and the other services that may be of value to you. You can access the portability page through [www.nafbenefits.com](http://www.nafbenefits.com)

The Army Deputy Chief of Staff for Personnel (G-1), Civilian Personnel Policy (CPP) maintains a web site at [www.cpol.army.mil](http://www.cpol.army.mil). The NAF personnel policy division has provided information regarding the comparison of benefits provided by APF and NAF employment; that comparison is at <http://www.cpol.army.mil/library/naf/apfnafben.html>.

The Army Civilian Human Resources Agency (CHRA) operates a web site that provides information that is useful to the CPOCs Army-wide. For example, CPOCMA Guidance Instruction #02-01, which provides guidance on processing of APF employees accepting a NAF position, is contained at [www.chra.army.mil](http://www.chra.army.mil) under "Guidance Memorandums".

Civilian Personnel Management Service (CPMS), Office of the Secretary of Defense (OSD), maintains a website which has a portability guide at : <http://www.cpms.osd.mil/nafpo/documents/PortabilityHandbook.pdf>. The guide contains valuable background information as well as references and processing guides for servicing CPUs.

The Office of Personnel Management (OPM) oversees the administration of the Federal Employee Retirement System (FERS) and other civil service retirement programs. Information regarding all civil service benefits programs is available at <http://www.opm.gov/retire/html/library/index.asp>, where you can select the program you are interested in.

Information from OPM on portability is available at: [www.opm.gov/asd/htm/2002/02-102.htm](http://www.opm.gov/asd/htm/2002/02-102.htm). There are forms attached to the Benefits Administration Letter (BAL) and instructions on completing them. The BAL also refers to a prior letter, BAL 96-107, which explains portability eligibility in detail (noting that PL 107-107 eliminated the required for vesting). That BAL, and its counterpart for employees appointed prior to August 20, 1996, is available at <http://www.opm.gov/asd/htm/bal96.htm>.

OPM also issued Payroll Office Letters until 2000, when they became incorporated into the BAL system. Payroll Office Letter 96-06, "Elections of Retirement Coverage by Employees of Nonappropriated Fund Instrumentalities", is available at <http://www.opm.gov/asd/pdf/P-96-06.pdf>.

All Army employees participating in FERS/CSRS, including those currently working for NAF, should contact the Army Benefits Center, Civilian at [www.abc-c.army.mil](http://www.abc-c.army.mil) for information and instructions on retirement-related issues.

# Appendix B

## Questions and Answers

### **Portability seems like a lot of trouble. Is it really worth it?**

For the extreme majority of employees, it is better to keep all retirement credit in one system, rather than move between two or more retirement programs during a career. This is explained on page 4 under “other issues to consider”.

Some employees may benefit from changing retirement systems. An employee eligible for an immediate, unreduced annuity from either civil service or NAF may (or may not) find that receiving the annuity while continuing full time employment may be better than earning additional retirement benefits. Each person should evaluate the value of either option and make up his/her own mind about what is best for them.

### **Can you provide more details on the meaning of “Portability”?**

“Portability” is a term used by benefits professionals to describe the ability to move between employment systems without “losing” certain retirement benefits. Within the federal government, civil service employees can move between agencies and continue to participate in the same retirement plan.

Nonappropriated fund (NAF) employment is not considered to be Federal service for purposes of laws administered by the Office of Personnel Management (OPM), including federal retirement. NAF employee benefits, including retirement, health, and life insurance coverage, are not subject to requirements applicable to civil service positions. Therefore, unless specifically provided by law, NAF service is not creditable for purposes of civil service benefits, nor is service in an appropriated fund (APF) position creditable for purposes of DoD NAF benefits. (Title 5, United States Code (5 U.S.C.) 2105(c)).

In 1991, congress passed a law (retroactive to 1987) which allowed certain DoD and Coast Guard employees to move between civil service and NAF jobs without changing retirement systems. This guide provides information about those laws and regulations that provide service credit and other portability of benefits for DoD employees moving between NAF and APF civil service positions. While the same law applies to them, USCG employees are not discussed in this guide.

As it is used in this handbook, “Portability” refers to the opportunity for DoD employees to move between civil service and NAF positions without changing retirement systems. Additionally, if both the NAF and civil service positions are within DoD and the move does not involve a break in service of more than 3 days, there are a number of non-retirement benefits which are covered by “portability”.

### **What laws cover portability between NAF and civil service?**

The Nonappropriated Fund Instrumentalities (NAFI) Employees’ Retirement Credit Act of 1986, Public Law (P.L.) 99-638, was the initial law to permit civil service retirement system credit for former NAF service. That law provides Civil Service Retirement System (CSRS) credit for service in certain morale, welfare, and recreation (MWR) positions after June 18, 1952, but before January 1, 1966.

The Portability of Benefits for NAF Employees Act, P.L. 101-508, was enacted in 1990 to provide portability of pay and benefits for employees moving between NAF and APF positions. Under the Portability Act, employees who move with a break in service of no more than three days between DoD NAF and DoD APF positions may be eligible for pay, leave, reduction-in-force, and retirement benefit protection.

P.L. 104-106, enacted in 1996, expanded the authorities provided by the Portability Act, primarily in the area of retirement coverage elections.

The National Defense Authorization Act for Fiscal Year 2002, P.L. 107-107, further expanded the retirement election opportunity to make it easier for employees to continue retirement coverage after moving between NAF and APF positions.

**If I am considering a move between NAF and civil service, what retirement benefits am I eligible to receive?**

Under current retirement portability law, eligible employees who move with a break in service of no more than one year between regular DoD NAF positions and retirement covered civil service positions in any agency may elect to continue retirement coverage in the losing employment system's retirement plan. If you are a civil service employee in CSRS, CSRS Offset, or FERS, and you move to a NAF position within 1 year, you may continue to participate in your civil service retirement program; if you are NAF and move to a civil service job, you can remain in NAF. It is your choice whether or not to remain in your retirement program, but if you meet the portability requirements, you MUST make a choice within 30 days after being hired into a NAF or civil service job.

**I am getting different stories on what I am eligible for if I move between NAF and civil service. One person says one year, one says it has to be within 3 days, another says I can only move within DoD. What's the straight answer?**

Much of the confusion about portability comes from the changes that have occurred in the portability laws. People who moved between 1987 and 1996 have different rules than those who moved between 1996 and 2001, and still another set of rules applied after 2001. The rules that apply to you will be those in effect at the time of your move.

A brief chronology of the laws on portability may help explain how and why these rules have changed.

The Nonappropriated Fund Instrumentalities Employees' Retirement Credit Act of 1986, P.L. 99-638, was a first effort to consolidate retirement credit for employees who had moved between NAF and civil service. It provides CSRS credit for former NAF service, but requires that NAF service be in certain MWR positions after June 18, 1952, and before January 1, 1966. Covered employees were primarily Army NAF employees in recreation, youth activities, and arts and crafts positions who were not covered by a NAF retirement system.

What we know as "the" portability statute was the Portability of Benefits for NAF Employees Act of 1990, P.L. 101-508, Section 7202. The act provides pay and benefits protection for moves between DoD NAF and DoD APF positions on or after January 1, 1987, without a break in service of more than 3 days. The "non-retirement" benefits of the act have not changed since 1991, and still require that the move be within DoD and within 3 days.

P.L. 101-508 permitted employees to remain in their civil service or NAF retirement plan, if vested (vesting generally requires five years participation in retirement plan). Like the non-retirement benefits, retirement portability initially required that the move be within 3 days and within DoD. All three requirements for retirement portability — vesting, remaining within DoD, and moving within 3 days — have been modified or eliminated in later amendments to the law.

P.L. 104-106, Section 1043, expands the 1990 Portability Act retirement election provisions to cover moves to civil service positions outside of DoD and to cover moves on or after August 10, 1996, with a break of not more than one year. This is a major expansion of opportunities for employees to move between the systems without losing retirement benefits. This expansion of benefits allowed employees to move between NAF jobs and all civil service positions—not just DoD—while continuing their retirement under one retirement system. It also expanded the eligibility for a retirement election to 1 year, a provision which

helped military spouses and other who were relocating to find a new position without changing retirement systems.

This law did not change eligibility for non-retirement benefits, and it still required employees be vested in the losing employment system's retirement plan in order to have their choice of retirement plans.

P.L. 107-107, Section 1131, permits employees moving between NAF and civil service positions on or after December 28, 2001, to continue coverage in the retirement plan that covered them immediately before the move, even if they are not vested in that retirement plan. With this change, employees no longer had to work 5 years to take advantage of portability; they were allowed to move between systems at any time. Employees still must move between retirement-covered positions with a break of not more than one year, and the qualifications for non-retirement benefits did not change.

### **What are the “non-retirement” portability benefits?**

*The following information is extracted verbatim from the DoD Portability Handbook, July 2004. Questions regarding application of these requirements should be directed through human resources channels for clarification.*

**Leave Accrual and Accumulation.** Employees who move between DoD NAF and DoD APF positions without a break in service of more than three days receive service credit for annual leave purposes. Annual, sick, and home leave balances transfer to the gaining employment system; employees may not receive lump sum payment for accumulated/accrued annual leave. (5 U.S.C. 5551(a); 5 U.S.C. 6308 (b), and 6312)

**Initial Pay Setting.** Employees who move involuntarily between DoD NAF and DoD APF positions without a break in service of more than three days receive pay protection at the level of their last basic rate of pay. The employee's highest previous rate may be considered in voluntary moves. Grade and pay retention provisions may apply where an involuntary move results in a reduction. (5 U.S.C. 5334 (f); 5 CFR 531.206, 536.103 and 536.104; DoD 1400.25-M, Subchapter 531, SC531.2.4, and Subchapter 1405, Appendix 1, SC1405.AP1.5.2.4)

**Step Increases.** Employees who move between DoD NAF and DoD APF positions without a break in service of more than three days receive service credit towards waiting periods for pay increases. (5 CFR 531.406 (b) (4))

**Time-In-Grade.** DoD NAF service is creditable towards civil service time-in-grade requirements. (5 CFR 300.605)

#### **Severance Pay.**

**Determining Creditable Service:** Employees who move between DoD NAF and DoD APF positions without a break in service of more than three days receive service credit for severance pay purposes. (5 CFR 550.705 and 550.708)

**Limitation on Payment of Severance Pay:** Employees who are entitled to NAF or APF severance pay are prohibited from receiving severance pay if they move between DoD NAF and DoD APF positions without a break in service of more than three days. Employees who are entitled to APF severance pay and who move to DoD NAF positions without a break in service of more than three days may be eligible to have the APF severance pay resumed if they are later involuntarily separated from the NAF position. (5 U.S.C. 5595 (h); DoD 1400.25-M, Subchapter 550, SC550.3.5.1, and Subchapter 1405, Appendix 5, SC1405.AP5.7)

**Career Tenure.** An employee whose DoD NAF position is brought into the competitive service is eligible to have NAF service credited towards career civil service tenure. Employees hired under the authority of the DoD and OPM Interchange Agreement also receive credit for NAF service towards civil service career tenure. (5 CFR 315.201 (b)(1)(vi); a copy of the Interchange Agreement is available in DoD 1400.25-M, Subchapter 1403, Figure 1403 –1.)

Travel, Transportation, and Relocation. Employees who move between DoD NAF and DoD APF positions without a break in service of more than three days are authorized expenses and allowances to the same extent and under the same conditions as transferred APF employees. (5 U.S.C. 5736)

Reduction-In-Force (RIF)/Business Based Action (BBA). Employees who move, on or after January 1, 1966, between DoD NAF and DoD APF positions without a break in service of more than three days receive service credit for civil service RIF or NAF BBA purposes. (5 U.S.C. 3502 (a)(4)(C)(ii))

**What if I want to take a refund of my contributions and go into the retirement plan that covers my new job?**

While you should be aware of the losses you will have from moving between the retirement systems, the decision is yours. Employees who move between DoD NAF positions and civil service positions in any agency without a break in service of more than one year may elect to continue coverage in that retirement system following the move. Alternatively, the employee may enter the gaining employer's retirement system with no service credit transfer. The full version of these rules are contained at 5 U.S.C. 8347 (q) and 8461 (n); title 5 Code of Federal Regulations (5 CFR), Part 847 and Part 1620, Subpart D)

Employees who remain in/move to the NAF retirement system are eligible to contribute to the applicable NAF 401(k) plan; employees who remain in CSRS or FERS are subject to Thrift Savings Plan (TSP) regulations. (5 CFR, Part 1620, Subpart D)

On or after December 28, 2001, employees who move between the civil service and NAF employment systems are not required to be vested in the losing retirement plan in order to continue participation in that plan. (5 CFR Part 847, Subpart B)

**What if I don't want to continue my retirement, but would like to retire and start a "new" career?**

A decision to retire simply means that you will receive an annuity from your "old" retirement system and earn credit in your "new" employer's retirement system.

If you do decide to retire from your present job and move to the "other" system, you are still eligible for a number of non-retirement benefits as long as the move is within DoD and within 3 days. You should discuss this with your human resources benefits counselor prior to making a final decision.

**What happens to my employer's matching contributions to my 401k if I am not vested when I leave NAF?**

The employer's matching share is forfeited by non-vested terminating employees; those funds are credited to the administrative account to help offset the cost of plan administration. If the employee is re-employed by NAF (or by civil service, if the employee elects to remain in the NAF retirement plan) within 5 years, the employer's share is re-credited to the employee's account. If the employee is not re-employed within 5 years, the funds are permanently forfeited to the plan administrative account.

**How do I get an estimate of my retirement or file for retirement if I am working for civil service and want to receive my NAF retirement?**

You can access NAF Benefits Online at [www.employeebenefitsonline.com](http://www.employeebenefitsonline.com). There is an e-mail address which allows you to request an estimate of your annuity. When you first enter the site, the default password is your date of birth (DDMMYYYY). Be sure to enter a two digit day and month as well as the four digit year of birth ("07111964", not "71164"; this is the most common problem).

When you are ready to retire, you should contact the Army Benefit Center at <https://www.abc.army.mil> to obtain instructions on applying for your annuity and associated retirement benefits (medical, life, long term care, etc). You can obtain access to your 401k account by waiting 30 days after your separation from employment and contacting Fidelity Investments at <http://www.fidelity.com>.

## **Appendix C**

### **Portability and Medical/Life Insurance**

Generally, portability of benefits does not affect your medical/life insurance coverage—you are covered by your current employer under the applicable medical and life insurance. For civil service employees, this is the federal employee health benefit plan (FEHBP) and government life insurance (GLI). For Army NAF employees, this is the DoD Uniform Health Benefit Plan (DODHBP) and the Army NAF Employee Group Life Insurance (NAF GLI).

However, certain special benefits situations are addressed by these plans in relation to portability of benefits.

#### Transitional Medical Insurance Coverage

Civil service employees moving to NAF positions are eligible for “first day” medical insurance coverage. NAF employees moving to civil service may experience a non-covered period as a result of FEHBP eligibility rules. If this occurs during a move covered by the portability statute, the DODHBP will extend coverage for the employee until the first day that employee could have been covered by FEHBP. If the employee has medical expenses during this “transitional” period, he/she should contact the Army NAF Employee Benefits Office at (877) 384-2340 or DSN 761-7262 to arrange for coverage of those expenses.

#### Retiree Medical and Life Insurance

If you are working for NAF at the time of your retirement, your retirement medical and life insurance coverage is provided by NAF. If you work for civil service at the time of your retirement, your medical and life insurance is covered by civil service. This coverage is very important to many NAF retirees because your NAF employer continues to pay 70% of the premium as if you were still an active employee, and the civil service retirement plans pay a comparable amount if you qualify at the time of your retirement under a civil service retirement plan.

The retiree medical provisions of the Army NAF retirement program are covered by DoD regulations, which require that you be covered by medical insurance for at least 15 years while an active employee to qualify for retiree medical insurance. If you move between NAF and civil service with a break in service of less than one year, participation in both the FEHBP and the DODHBP may be credited to meet the participation requirements.

The retiree medical provisions of the FEHBP require that you be covered by medical insurance for at least 5 years to qualify for retiree medical insurance. Like the DODHBP, time in a NAF position prior to a portability move can be credited to meet this requirement.

There are some exceptions to the DODHBP requirement for 15 years coverage by medical insurance prior to retirement. These are:

- a. If you were covered by the NAF medical insurance program on 31 December 1999 and have continued coverage until the date of your retirement, you may be covered by the NAF plan provisions as of 31 December 1999; for Army

NAF, this reduces the requirement to 5 years participation to qualify for retiree medical coverage.

- b. If you are involuntarily converted from civil service to NAF, you are only required to have 5 years active participation to qualify for retiree medical coverage.
- c. If you move from civil service to NAF under the Uniform Funding and Management (UFM) initiative, you are only required to have 5 years active participation to qualify for retiree medical coverage.

Regardless of which life insurance program is in effect at the time you retire, the minimum pre-retirement coverage period is 5 years.

### **Can I remain in FERS and participate in the NAF 401k program?**

No. The legislation that authorized portability also requires that FERS participants be provided with TSP eligibility, and that NAF participants be provided 401k.

As explained in the basic decision guide, NAF retirement pays a slightly higher pension with a slightly lower employer contribution to the defined contribution (401k) plan. FERS pays a slightly lower pension than NAF, but has a slightly higher employer contribution to the defined contribution (TSP) plan.

When combined with social security, both programs provide approximately the same retirement benefit for most employees.

Appendix D  
Election Form for Employees  
Moving From NAF to Civil Service  
Under Public Law 101-508



# Election to Retain NonAppropriated Fund (NAF) Retirement Coverage As a Result Of A Move From A NonAppropriated Fund Position To A Civil Service Position On or After December 28, 2001



**Instructions:** The Human Resources Office will complete Part 1 of this form and give it to the employee. The employee must indicate his/her election by signing in Part 3 and returning the signed form to the Human Resources Office on or before the due date shown in Part 1.

## Part 1 - (To be completed by agency)

Employee's name ( <i>last, first, middle</i> )	Date of birth ( <i>mm/dd/yyyy</i> )	Social Security Number
Name of NAF Retirement Plan	Due date ( <i>mm/dd/yyyy</i> ) Human Resources Office must receive election on or before _____	

I verify that in accordance with §§ 8347(q) and 8461(n) of title 5, U.S.C., and OPM regulations at 5 CFR part 847, this employee is eligible to retain coverage in the NAF retirement plan because he/she —

- (1) Has never previously had an opportunity to elect to retain coverage in a NAF retirement plan; and
- (2) Has moved, on or after December 28, 2001, from a NAF position subject to a NAF retirement plan to a civil service appointment covered by CSRS, CSRS Offset, or FERS without a break of more than 1 year.

Authorized Signature	Date of move ( <i>mm/dd/yyyy</i> )
Title	Date signed ( <i>mm/dd/yyyy</i> )

## Part 2 - Acknowledgement of Receipt and Notice of Effect of Failure to Elect

I understand that I am eligible to retain retirement coverage in the NAF retirement plan shown above. I acknowledge that the Human Resources Office has completed Part 1 of this election form and given it to me on this date. I understand that if I fail to complete Part 3 and return the completed form to the Human Resources Office before the close of business on the Due Date (shown in Part 1) I will automatically be considered to have chosen Option 2 in Part 3. I also understand that the option I choose below (or am automatically considered to have chosen) will restrict my retirement plan entitlement for the rest of my Government career and that I can never change this election regarding retention of NAF retirement coverage as a civil service employee.

Employee's Signature	Date ( <i>mm/dd/yyyy</i> )
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## Part 3 - Employee's Election (*Instructions to employee: Sign only the box for the option that you elect.*)

**Option 1:** I elect to retain retirement coverage in the NAF retirement plan. I understand that because of this irrevocable decision, I will never be able to earn additional credit under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). I understand that regardless of future moves between NAF and civil service employment, breaks in service, and changes in employment or retirement status, my retirement coverage will remain with a NAF retirement plan in accordance with the rules of that plan.

Employee's signature	Date ( <i>mm/dd/yyyy</i> )
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**Option 2:** I do *not* elect to retain retirement coverage in the NAF retirement plan. Because I have made this decision:

- (1) I will enter FERS, CSRS, or CSRS Offset coverage as appropriate. In the future, I may be able to elect to credit my NAF service to qualify for an immediate FERS, CSRS, or CSRS Offset retirement. I will only be able to make such an election at the time I retire. I understand that my NAF service will not increase the amount of any future FERS, CSRS, or CSRS Offset annuity to which I may become entitled.
- (2) I will not be given another opportunity to retain coverage in a NAF retirement plan if I ever move from a NAF position to a civil service appointment in the future. However, if I move back to a NAF position, I will be subject to the NAF plan in accordance with its rules.
- (3) If in the future I move back to a NAF retirement covered position without a break in service of more than 1 year, including employment covered by the NAF retirement plan that I am leaving, I will be given a one-time opportunity (if I never before have been given the opportunity) to elect to retain coverage in FERS, CSRS, or CSRS Offset as appropriate, or to enter the appropriate NAF plan without transfer of FERS, CSRS, or CSRS Offset service credit.

Employee's signature	Date ( <i>mm/dd/yyyy</i> )
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(Instructions on the reverse)

**Instructions for Completing Election Form RI 38-134**  
**Election to Retain NonAppropriated Fund (NAF) Retirement Coverage As a Result Of A**  
**Move From A NonAppropriated Fund Position To A Civil Service Position**  
**On or After December 28, 2001**

**The Human Resources Office should:**

- (1) Complete Part 1 of the form and photocopy it. The due date is 30 days after the date of appointment. (This time limit may be waived by the agency for employees who, despite due diligence, are prevented by circumstances beyond their control from making an election within the time limit.)
- (2) Give the original and the photocopy to the employee. Instruct the employee to read and acknowledge receiving the form by signing Part 2 of one copy of the form.
- (3) Collect the copy of the form the employee signed (with Parts 1 and 2 completed), and file it on the left side of the Official Personnel Folder (OPF), or in some other temporary file. Keep it there until the employee makes an election, or the time limit for making the election expires.
- (4) If the employee makes an election by signing either Option 1 or Option 2 in Part 3, mark the date you received the form. Make two photocopies of the form. File the form with the original signature in Part 3 on the right hand side of the OPF. Return one copy to the employee. Mail the other copy to the appropriate NAF benefits office. Destroy the copy of the form with Part 2 completed.  
  
If the employee fails to return the election form before the time limit expires, note on the form with Part 2 completed that the employee did not file a form with Part 3 completed, and file it on the right hand side of the OPF.
- (5) If the employee elects to retain coverage in the NAF plan, place the Notice of NAF Election flag on the right side of the OPF. This flag will serve to alert subsequent employing offices that the employee is covered by a NAF plan and is excluded from CSRS, CSRS Offset, or FERS.

**The Employee should:**

- (1) Acknowledge receiving the form by signing Part 2 of one copy and returning it to the Human Resources Office.
- (2) Keep a copy of the form with only Part 1 completed.
- (3) Make a retirement coverage election by signing Option 1 or Option 2 in Part 3 of the form. Submit the election to the Human Resources Office by the Due Date shown in Part 1. If you fail to submit an election by the due date, you will be considered to have elected Option 2 in Part 3.

Appendix E  
Illustration of Leave and Earnings  
Statement (LES)  
Civil Service Employee  
Participating in  
NAF Retirement Program

# DEPARTMENT OF DEFENSE CIVILIAN LEAVE AND EARNINGS STATEMENT

1 NAME BUSCH, GEORGE		4 PAY PLAN/GRS/STEP GS 09 10		5 MONTHLY RATE 20.71		6 BASIC PAY 26.33		7 BASIC PAY 43220.00		8 PAY PERIOD END 10/08/01	
9 SOC SEC NO 000-00-0000		10 GRADE E		11 PAY CATEGORY 01/19/70		12 LEAVE YEAR END 300		13 LEAVE YEAR END 01/12/02			
14 FINANCIAL INSTITUTION - NET PAY DEFENSE DEPT-OVERSEAS MILIT				15 FINANCIAL INSTITUTION - DEDUCTION BY SERVICE CREDIT UNION				16 FINANCIAL INSTITUTION - DEDUCTION BY			
17 PAY FED		18 STATUS S		19 EXEMPT 2		20 ADD 20		21 LEAVE 20.00		22 LEAVE 20.00	

	CURRENT	YEAR TO DATE	401(K) DATA
GROSS PAY	3387.16	42453.50	22%
TAXABLE WAGES	2469.81	27544.28	
NONTAXABLE WAGES	188.46	6869.48	A FUND: 100%
TAX DEFERRED WAGES	708.88	8039.74	B FUND: 0%
DEDUCTIONS	1832.77	21894.73	C FUND: 0%
AEIC			
NET PAY	1654.38	20758.77	

CURRENT EARNINGS							
TYPE	HOURS/DAYS	AMOUNT	TYPE	HOURS/DAYS	AMOUNT	TYPE	HOURS/DAYS
REGULAR PAY	40.00	828.40	LQA	2.00	164.96	LUMP SUM PD	48.60
COMP TIME PD	64.46	1430.77					

DEDUCTIONS							
TYPE	CODE	CURRENT	YEAR TO DATE	TYPE	CODE	CURRENT	YEAR TO DATE
ALLOTMENT, SV	#1	200.00	4200.00	CHARITY		5.00	5.00
FEGLI	00	7.13	140.43	FEGLI OPTNL	A	6.00	125.00
FENB	451	23.50	980.18	MEDICARE		46.16	515.97
OASDI		108.32	2200.21	RETIRE, NAF	5A	64.44	730.90
BOND			1000.00	TAX, FEDERAL		578.12	3761.30
401(K) SAVNGS		708.88	8039.74				

LEAVE							
TYPE	PRIOR YR BALANCE	ACCRUED PAY PD	ACCRUED YTD	USED PAY PD	USED YTD	DONATED/ RETURNED	CURRENT BALANCE
ANNUAL	282.50		144.00	40.00	380.00		
SICK	750.85		72.00		149.00		673.85
COMPENSATORY	37.96		50.25		13.75		
HOME	1.00		4.00		4.00		1.00
HOLIDAY					32.00		

**REMARKS**

FEDERAL EMPLOYEES' HEALTH BENEFITS (FENB) OPEN SEASON FROM THE SECOND MONDAY OF NOVEMBER THROUGH THE SECOND MONDAY OF DECEMBER W-2 SEASON IS COMING. USE E/MSS AT [HTTPS://EMSS.DFAS.MIL](https://EMSS.DFAS.MIL) TO VERIFY OR UPDATE YOUR HOME ADDRESS, OR VISIT YOUR PAYROLL CUSTOMER SERVICE REPRESENTATIVE. EFFECTIVE 1 OCT 2001 DELINQUENT DOD TRAVEL CARD DEBTS MAY BE WITHHELD FROM YOUR PAY. NAME, SSN, DOB, OR MAILING ADDRESS CHANGED. PRETAX FENB EXCLUSION @ 23.60 LUMP SUM PAID. 64.46 COMPENSATORY TIME HOURS PAID YTD.

## Appendix F

Compare Grid of Salary Replacement from  
the Army NAF Retirement Plan

vs.

the Federal Employee Retirement System

## Compare Grid Example

### Army NAF Defined Benefit Retirement Plan and FERS

Hi-3 Salary Replacement		
Yrs Partic.	Army NAF	FERS
5	6.00%	5.00%
10	12.00%	10.00%
15	18.00%	15.00%
20	26.00%	20.00%
25	34.00%	27.50%
30	42.00%	33.00%
35	50.00%	38.50%
40	58.00%	44.00%
45	66.00%	49.50%
50	74.00%	55.00%

**Example** = If you elected to remain in NAF for 20 years, your retirement benefit would be 26% of your Hi-3 and if you participated in 401(k) at 4%, the employer would match you 3%

#### ***Versus***

If you elected NOT to remain in NAF, but had participated for 3 Years, and you retired after 20 years federal service, you would Receive only your contributions from Army NAF and a 17 year Benefit from FERS, which would amount to 17% of your Hi-3 Salary, but you could receive up to 5% employer match in TSP.  
\*\*\* You compare, which scenario is better for you\*\*\*

### Army NAF Defined Contribution 401(k) Savings Plan and TSP

Army NAF 401(k)		Thrift Savings	
Employee	Employer match	Employee	Employer match
1%	1%	1%	1%
2%	2%	2%	2%
3%	2.50%	3%	3%
4-100%	3%	4%	4%
		5-15%	5%